

6/12/2009 Moran Opposes Effects of Cap and Tax Legislation

Moran Opposes Effects of Cap and Tax Legislation

Delivers Remarks for Agriculture Committee Hearing

WASHINGTON, D.C. - Congressman Jerry Moran gave the following remarks during a House Agriculture Committee hearing opposing H.R. 2454, recently introduced legislation by Congressmen Henry Waxman and Edward Markey that increases energy costs on every American. Under the cap-and-tax legislation, energy costs would increase raising the price of utility bills, transportation, agriculture production, and many other everyday products.

"Thank you Mr. Chairman. After hearing the testimony of today's witnesses, I am convinced this legislation could be one of the most detrimental policy changes we will consider this Congress. From its inception in the House Energy and Commerce Committee less than one month ago, this approximately 1,000 page document has been forced upon Members of Congress with little time to consider its real consequences. One of the problems we encountered here today is that there is no solid economic analysis on how this ill-conceived legislation will really affect the economy. Preliminary evidence shows that it will increase the cost of energy and with it the cost of everything we utilize on a daily basis. In its current form, agriculture will have little, if any, ability to recover additional costs. This will not only lead to decreased profitability in agriculture, but increased food prices.

"What we do know is the Congressional Budget Office (CBO) says this bill will raise government revenue by \$846 billion in the first ten years of this legislation's life. In laymen's terms, this means a huge tax increase. It is a tax increase so large it could more than 24 times over pay for all the agriculture commodity programs contained in the 2008 Farm Bill for the entire life of the bill. In addition, according to the 2007 U.S. Agriculture Census, \$846 billion is over 15 times total U.S. agricultural sales less production expenses in 2007.

"This is only the beginning. The legislation we discussed today is permanent and after the ten-year period analyzed by CBO, free carbon allowances are phased out, while auctioned carbon allowances are phased in. This means future generations will be forced to pay more than the initial ten-year budget analysis conducted by CBO discloses.

"Although billed as a cap and trade bill, in reality H.R. 2454 is a cap and tax bill. It is a tax that will be forced not only on agriculture and rural America, but the entire nation. Instead of government levying a tax directly on the American public, this legislation disguises the tax as a carbon allowance auction that subsequently requires electrical generation companies, refiners, manufacturers, and others to collect the tax imposed through increased costs.

"What is worse, due to the way this legislation is written, Midwestern states would bear the brunt of the economic blow because of the inequitable way carbon allowances are allocated - giving excess carbon allowances to east and west coast power plants, while shortchanging allowances given to Midwestern electric cooperatives. I have seen preliminary estimates that indicate rural electric cooperative customers in Kansas could have their utility bills increase anywhere from \$200 to \$1,000 per year. The consequences go beyond our ability to turn on the lights in rural America. Our rural communities, where we must travel greater distances for work, school, and medical care will pay disproportionately compared to our urban cousins who have shorter distances to travel and can use public transportation.

"I am particularly concerned that many in agriculture believe that agriculture will somehow be made whole under this legislation. Under the Waxman/Markey bill, we know this not to be the case. The word "agriculture" is only mentioned seven times. It is not mentioned once in the section that defines offsets. Instead, H.R. 2454 directs the Administrator of the Environmental Protection Agency (EPA) to define the world of carbon offsets. This is a mistake that will lead to few benefits for agriculture and increase the ability of EPA to further intrude on our farms. We know that EPA is not farmer friendly or even farmer neutral. It has consistently made determinations that harm producers and fail the common sense test.

"This includes the recent EPA finding that agriculture will sequester significantly less carbon than determined under a similar 2005 EPA study, it includes a proposed rule that takes indirect land use into consideration when determining the carbon footprint of biofuels, as well as EPA's recent decision to regulate every farmer with a sprayer as a point source and impose a costly and unnecessary permit system. EPA cannot be trusted to handle agricultural carbon offsets. Unless agriculture offsets are expressly defined and sole authority given to the U.S. Department of Agriculture (USDA), farmers will never see benefit from this legislation.

"Even if offsets are defined and USDA is given authority over them, on a macro scale, it is difficult for me to see that agriculture will even get close to mitigating the increased cost of inputs caused by the cap and tax system. Some sources disclose that agriculture can sequester nearly half a ton of carbon through practices like no-till. If, as some preliminary studies suggest, carbon trades between \$15 to \$40 per ton and costs per acre for corn production increase by \$40 to \$80 dollars, the numbers just do not add up. In a best case scenario, a farmer could mitigate half the cost of this legislation. In a worst case scenario, a farmer could mitigate about ten percent of the cost of this legislation. Either way, it does not bode well for agriculture. This analysis does not even take into account the livestock sector, which will be especially disadvantaged. Unlike crop farmers, operations like cow-calf operations and feedyards have few opportunities to accumulate carbon offsets. While operations like swine and dairy farms may be able to construct methane digesters, this equipment is not cheap and can cost millions of dollars. This certainly is not something the small to medium-sized farmer can afford and it will only hasten their demise.

"This Committee must act responsibly and continue to hold hearings. Further examination of this legislation is a necessity. The current pace set by the Speaker of the House must be abandoned until better objective research can be conducted. Regardless of the legislative pace, we must act to correct the irresponsible decisions included in this legislation.

"The Agriculture Committee must hold a markup to allow Members to address the many flaws contained in this legislation. This includes amendments to fix the disproportionate geographical distribution of carbon allowances; amendments to define the contributions that agriculture can make by sequestering carbon; amendments to place authority for agricultural offsets squarely in the hands of USDA and not EPA; amendments to properly define biomass; and most importantly, amendments to prevent the inflationary effect this legislation will have on goods needed to conduct our daily lives. If this cannot be achieved, then we must do what common sense demands and defeat this bill. Congress infrequently gets things right when it has ample time to properly consider policy changes, but it has never made good decisions when rushed by arbitrary deadlines.

"Much emphasis has been placed on our nation's economic recovery since the market collapse last fall. Whether you agree or disagree with the policy decisions that have been implemented to help that recovery, this bill is almost certain to unravel any chance at economic recovery if enacted in its current form. I hope that as a result of today's dialogue this Committee will continue to investigate the impact of this bill. Once reliable data has been collected, it should commence a markup to correct what are significant problems with this cap and tax legislation. Agriculture demands it, rural America demands it, the American public demands it. Anything less would abdicate our responsibility as elected officials."

Moran is a senior member of the House Agriculture Committee.

Please [click here](#) to view Moran's remarks from the House Agriculture Committee Hearing.

###